



Starting and running a small business

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Microsolve CC, PO Box 61014, Marshalltown, 2061

Tel: +27-11-493-5110

Fax: +27-11-493-5114

Email: microsolve@icon.co.za

Typesetting and development:

Point 4 Business Services CC, PO Box 5081, Weltevreden Park, 1715

Email: pointfour@mweb.co.za

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So **YOU** want to start a small business

Why start a small business?

Starting a small business can be very rewarding – it can bring in a lot of money and it can be the best career move you have made. However, starting a small business is risky and you will have to work extremely hard to make a success of your business. There are many reasons that people start their own business. Here are some of them:

I wanted to be my own boss and decide how to spend the money that my business earned.



I wanted to earn some extra money to add to my salary.



Everyone just loved my cooking. I realised that I could make money by doing what I enjoyed – making food for people!





I was retrenched from my job and I had to find another way of making money.

I decided that I could make more money in my own business, so I took the risk and started. It was difficult at first, but I have learnt my lessons and now I am a good businessman.



I needed flexible hours in order to look after my children. Having my own business allows me to earn money, without having to find care for my children.



I wanted to make a difference in my community. I felt that I could do that better by having my own business, rather than working for a big company.





Over to you ...

Why do you want to start your own business? Write down your reason or reasons below.



Now that you know **why** you want to start your own business, you need to know **how** to do it. It all starts with you – the entrepreneur. Read on to find out more about entrepreneurship and what it takes to be an entrepreneur.



What is an entrepreneur?

Entrepreneurship is about turning what excites you in life into capital, so that you can do more of it and move forward with it. I think entrepreneurship is our natural state – a big adult word that probably boils down to something much more obvious like 'playfulness'. I believe that drudgery and clock-watching are a terrible betrayal of that universal, inborn entrepreneurial spirit.

Richard Branson,
Founder of the Virgin Group

In order to run your own business, you have to be an entrepreneur (pronounced *on-trop-en-eer*).

An entrepreneur is a person that sets up a business. The entrepreneur takes a risk in setting up the business, because he/she has to use some of his/her money to start something new.



Here are some of the qualities of an entrepreneurial person:

- **Commitment and resilience** – entrepreneurs know that starting a small business is going to take a lot of hard work and that they will be faced with difficult challenges everyday. As an entrepreneur, you will have to tackle all of these challenges head on.
- **Organised, but flexible** – you must be organised in order to create a professional impression with your customers, but you must also be flexible and change plans if necessary. Things around you will change all the time and you have to change with them, while still sticking to what the business stands for.
- **Leadership** – entrepreneurs can take the lead, make decisions and create enthusiasm for their product with their staff and customers. People will trust a good leader and will be willing to work hard for a good leader.
- **A good salesperson** – you must be able to sell your product, your business and yourself if you want to be a good entrepreneur. People will not come running to you to buy your product – you have to go out and ask for their business.



Over to you ...

Tick the qualities that apply to you. You will need to work on those that you do not tick, if you want to be a successful entrepreneur.

- ☐ Committed to my business (commitment)
- ☐ Able to carry on when things get difficult (resilience)
- ☐ Organised
- ☐ Able to change (flexible)
- ☐ A good leader
- ☐ A good salesperson

What personal goals do you want to achieve?



Very often, a small business will start with just one person and that person is you. Therefore, you need to write down some of your personal goals before you start thinking about the goals for your business. Your goals must be things that you can achieve in a certain amount of time.

Here are some of the types of goals that you can set:

- **Family goals** e.g. I will help my children with their homework every evening.
- **Financial goals** e.g. I will save R500 profit per month.
- **Career goals** e.g. I will start my own business by the end of the year.
- **Educational goals** e.g. I will complete this course by the end of the month.
- **Interest-related goals** e.g. I will commit to practising once a week with the marimba group.



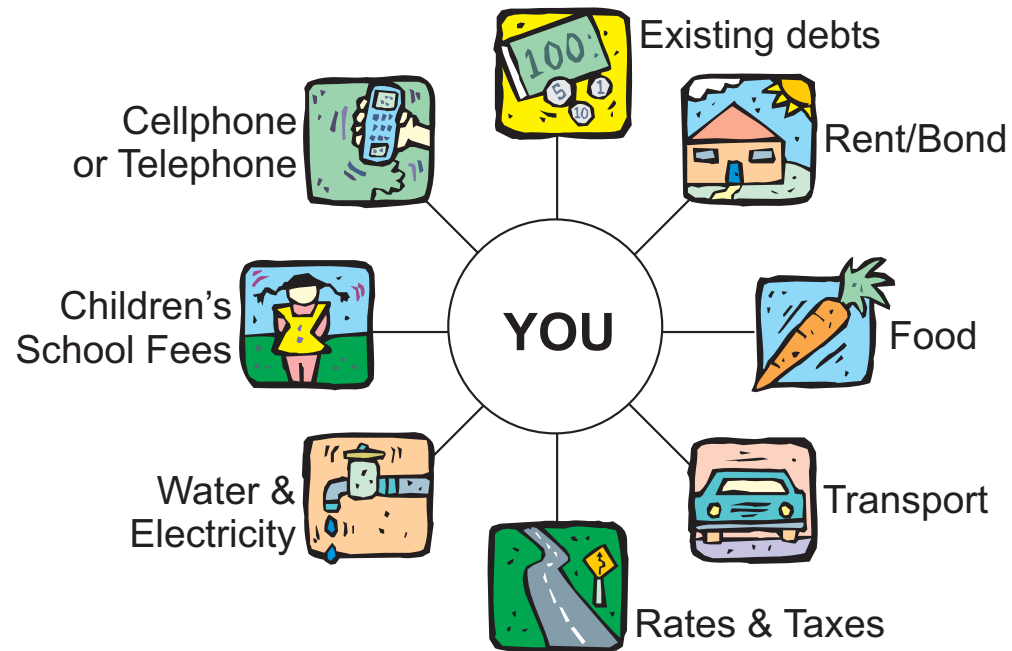
Over to you ...

Take a minute to set some goals for yourself. They can be family, financial, career, educational, interest-related, or any other type of goals. Just make sure that your goals are clear and that you say by when you want to achieve the goals.

How much money do you need each month?

Before you can make decisions about your small business, you need to decide how much money you need to live on. How much money do you need to pay the bills every month (your expenses)? Think about your own expenses and the expenses of your dependents (e.g. children or other family members that rely on you for money).

Here are some of the **basic expenses** that most of us have to plan for:



Try to get rid of any existing debts, such as store credit or credit cards. You pay a lot of money in interest on these debts, which you could rather have to spend on other items.

Once you have worked out what you need each month, you can look at saving money. With the money you save, you will be able to improve your lifestyle by buying luxuries like better clothes, a new set of furniture or enrolling on a course at a college or university. It is important to only use money that you have saved to spend on luxuries. Don't buy luxuries on credit because you have to pay interest on credit.



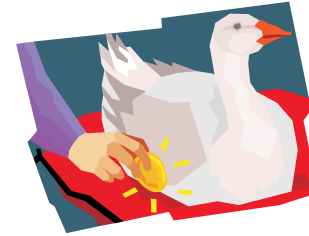
Over to you ...

In the table on the next page, fill in what you have to pay out each month for the expenses listed. Then fill in how much money you would like to save each month. There is extra space to write down any other expenses that you have each month. Add up your total expenses using a calculator.

| | |
|------------------------|--|
| Rent/Bond | |
| Food | |
| Transport | |
| Rates and Taxes | |
| Water and Electricity | |
| Children's School Fees | |
| Cellphone or Telephone | |
| Existing debts | |
| Savings | |
| | |
| | |
| | |
| | |
| | |
| Total | |

Think about your business

Read this story about the goose and the golden egg. It is not a true story, but it teaches a lesson about looking after the money in a business.



There was once a man who had a goose. He fed the goose and built it a comfortable pen to sleep in. One morning, the man woke up and went down to the goose's pen. He bent down to collect the eggs that the goose had laid and he couldn't believe what he saw. It was a golden egg! The man picked up the golden egg and took it to the bank in town. The bank gave him money for the golden egg. The next day, the man went down to the goose's pen and found another golden egg! This continued for a few days and the man was earning a lot of money. But then the man got greedy and thought to himself, "I am tired of waiting for a golden egg everyday. I will kill the goose and take out all the gold from inside of it!" So he killed the goose and found nothing inside. For the rest of his life, he lived as a poor man.

The goose is like your business and just like the man fed the goose, you have to feed your business. The way you feed the business is to put some of your own money into the business. If you do proper planning and work hard, you will start to earn money from your business, just like the golden eggs that the goose laid!

But you have to manage that money well, because if you take too much money from the business, it will be like killing the goose that laid the golden egg. That's why the next part of this book is very important. You will learn the skills to manage the money in your business. Just think, your "goose", which is your business, could be laying more than one "golden egg" everyday! But that means that you will have to be patient, work hard and make sure that you are feeding your business with the money it needs to keep going.

Why should you write a business plan?

This story shows us the importance of proper planning and managing the money in a business. The next sections are all building blocks of your own business plan.



There are several reasons why it is a good idea to write a business plan:

- Writing a business plan gives you the opportunity to think about exactly what your business will do and how you are going to make money. As you are thinking and writing, you will begin to discover if there are any gaps and you will have the opportunity to **fix up these gaps** before you have invested money and it is too late to change your mind.
- If you would like a bank or a person to **invest** in your business, they will want to see what your business is all about and how you plan to run your business.
- A business plan is like a **roadmap** for your business. It helps you to focus on what it will take to make your business succeed and to help you make money. You will need to keep reading your business plan again and again to make sure you are on track.
- A business plan also provides you with a list of **goals and objectives**. Once you have been running your business for a few months, you can refer to your business plan and celebrate when you have reached your goals.

What kind of business do you want to start?

You will need to write down exactly what product or service your business will offer. A product is something that you can sell like bread, fruit or clothes. A service is something you do for people like fixing shoes or mending clothes.



Now answer these questions:

- What will your business do? What products will you sell or what services will you offer?

- What need will you meet in the market? Think about what people need and want. Explain why you think there is a market for your product or service.

- Are there people that are already offering your product/service? Why will you be different from or better than your competitors? This could be anything from a better price, more convenient location, better service or a completely new product or service.

How can you research your market?

Your business will start with a good idea. But before you take your good idea any further, you must first establish what your local market needs. When we speak of the “market”, we are not talking about an actual market like a flea market or a cattle market. We are talking about all of the people who would want to buy your products. You need to ask yourself, “is there a market for my business?” To find out the answer to this question, you need to ask a few other questions first:

- How many potential customers are there in the area?
- What are the customers interested in buying?
- How many people are in the area?
- What are the other businesses selling?
- How much are the other businesses charging for their goods?

Here is a successful business person's opinion on what makes a business successful...

Business, at the end of the day, is about meeting customer expectations and requirements. If I can make a single statement of what will make a business a successful venture, it will be: having the product or service that your customer needs at the most convenient point at a reasonable price. Everything else comes second to this.

Where will you find out about your market?

- Look around the area you want to trade in and **make a rough count** of how many people there are.
- Look at **what is popular** at the other shops. You should also look at what stock ends up going stale.
- **Talk to people** in the area, as well as friends and relatives. Ask them what they would like to buy or would need? Ask them what they like and don't like about the other spaza shops in the area. You may even wish to do a formal survey where you write down a set of questions and then ask different people to answer them.
- Go and **buy something** from one of the shops in the area. Look at what the vendor charges, whether he/she gives good service and what kinds of products are available.
- **Ask an expert.** Learn from the experience of those who have gone before you. Ask a willing business person to share some of their experiences with you.



Here are two scenarios of business people researching their market.



Zinzi wants to set up a fruit stall on a side street that leads to a few factories. She researches her market and this is what she finds out:

- There is already a fruit vendor at the top of the street and another fruit vendor at the bottom of the street.
- Zinzi wants to set up in the middle of the street.
- There are lots of people that walk past, but the two other vendors often have stale stock at the end of the day and they have to throw away fruit that is overripe.

× Not a good idea

There are not enough customers for three different fruit stands. Unless Zinzi had very low prices, people would not buy from her and her fruit would become overripe. There is not a good market for a fruit stand in this area.



Zandi wants to set up a pre-paid airtime stall close to the taxi rank. She researches her market and this is what she finds out:

- There are lots of other vendors at the taxi rank, but only one other vendor sells airtime.
- There is always a queue at the airtime vendor.
- Zandi wants to set up just outside the taxi rank, so that people can stop to buy airtime on their way to or from work.

✓ Good idea

There is obviously a need for airtime at the taxi rank, because people are willing to queue to buy airtime at the other vendor. There is a good market for Zandi's business.



Over to you ...

Research the market for your business.
Answer these questions:

What do you want to sell? Where do you want to sell it?

How many people are in the area?

What is popular at the other shops?

Talk to people. What do they need? (Food, airtime, fruit, snacks, clothing, services, e.g. shoemaking).

What do other vendors charge? Do they give good service?

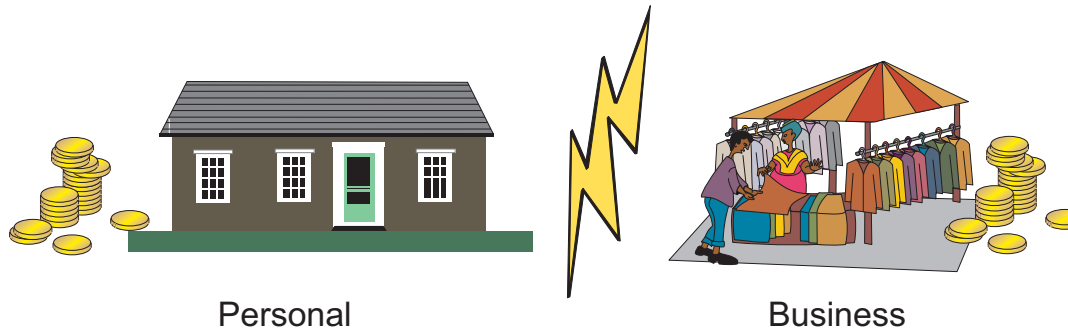
Try to find a successful business person. What advice can they give you?

Financial aspects of running a small business

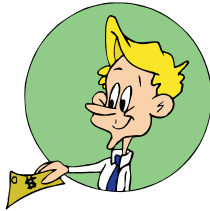


Finance is all about money! When you are the owner of a small business, it is important that you know where the money in your business is going to. You need to know how much money is coming in and how much money is going out. You also need to plan how you are going to use your money in the future – in the next month, three months, the next year and so on.

It's important to separate the money in the business with your own personal money. You cannot keep all of the money that the business makes at the end of the day. That money needs to be used to buy new stock, to pay for transport or to pay for equipment that the business needs. But, you are the manager of the business, so you deserve a salary at the end of each week or at the end of each month. So, your salary is one of the things that the business has to pay each month. But remember, if you pay yourself a salary that is too high, then the business will suffer and even die completely. Remember the story of the goose that laid the golden egg!



Income and expenses



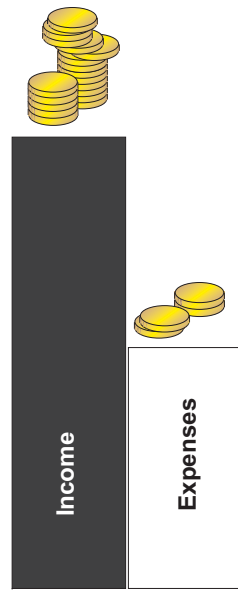
Income is the money coming into the business from your customers. When people pay you for your product or service, it is called income.

Expenses is the money going out of the business, such as paying for transport, paying for stock or paying the rent or wages.

Look at the diagram to see how income and expenses work together in your business.



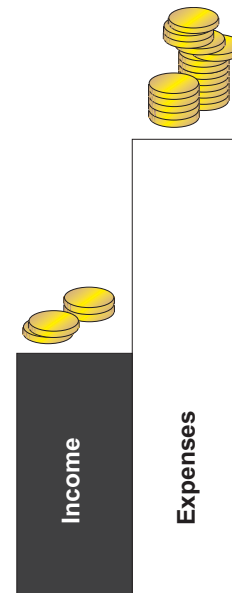
If your business has more income than expenses, it will make a **profit**.



**Business
makes a profit**



If your business has more expenses than income, it will make a **loss**.



**Business
makes a loss**



The words **turnover** or **sales** mean much the same as **income** for the small business owner.

Capital investment and loans



Capital investment is the money that you use to start the business. The amount of money that is needed to start the business will depend on the type of business, for example you will need money to buy stock to sell.

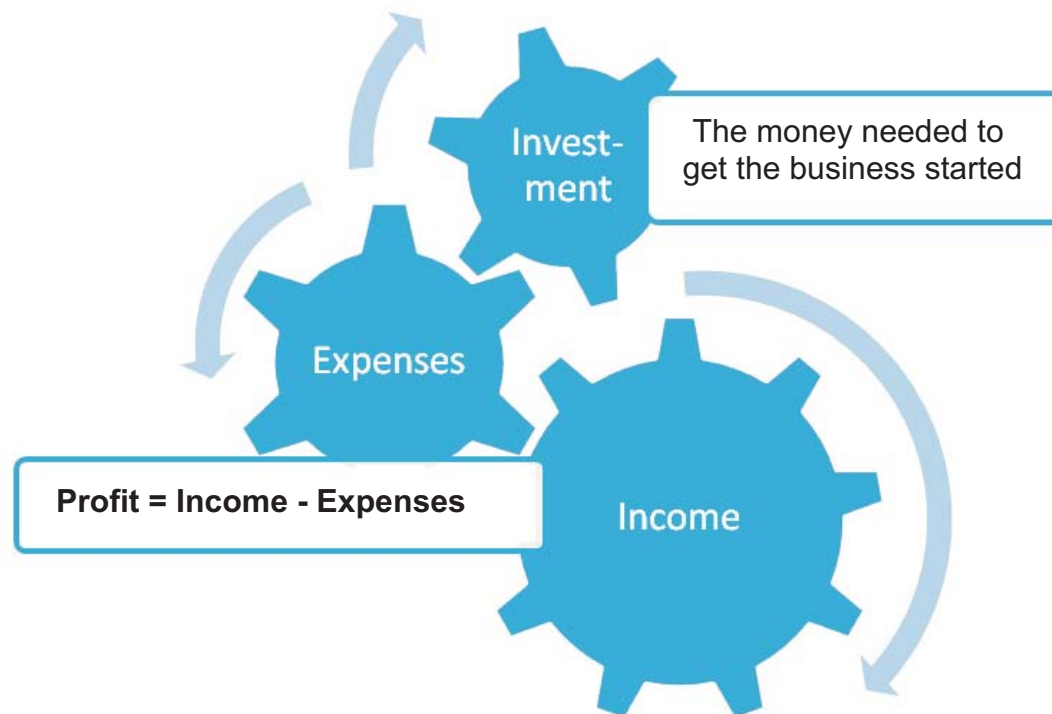
If you need a large capital investment, you may need to apply for a **loan**. A loan is when you get money from another person or a bank and you have to pay that money back plus interest.

If you only need a small capital investment, you can use your own personal money to get the business started. One day, when the business is making enough money, it can pay you this money back. But first, the business needs to grow and bring in its own money.



How will my business make a profit?

The business model is how your business will make a **profit**. Look at the diagram to see the parts that make up your business model.



Once you know your income and expenses, you can work out your **profit**.

$$\text{Profit} = \text{Income} - \text{Expenses}$$

Another important part of the business model is investment. Remember that you need money to start the business, so you need capital investment from somewhere. This could be your own personal money, or it could be a loan.

Look at page 82 for an explanation of how you can make a profit with the Celltime Terminal.



How can I get the money I need to start my business?



Remember, the goose that laid the golden egg? Before it could lay a golden egg, the man had to spend money on food for the goose. Before your business can start making money, you will need to put in some money to get the business started. Remember, this is called the **capital investment**.

As an entrepreneur, you will have to be prepared to put some of your own money into the business. You must keep a record of any money that you put into your business. It is important to realise that you are putting in money as an **investment**, because you will hopefully make even more money from the business. Your business is the way you are going to make a living for yourself and your family. For some businesses, the money that the owner puts in will be enough to get started. Other businesses require expensive equipment and so they will need a loan. Here are some of the options:

- A **loan from the bank**. Visit your bank and ask how you as a small business owner can apply for a loan. Compare their options with another bank. You will have to give the bank your business plan and your projected cash flow. Many banks will expect the business owner to contribute at least 40% of the starting costs before they will even think about giving you a loan. The bank will also want to see that you as the business owner understand the market and that you have the skills necessary to run the business.

- A **personal loan** from a friend or a family member. Sometimes this will be the best way to start your business, but be careful. You need to trust this friend as much as they need to trust you. Don't ask your friends for more money than they can personally do without. Set a clear plan of how and when you will pay the money back and with how much interest. Keep telling your friend about your business and listen to their advice.
- Get a **business partner**. Sometimes it will make sense to join another entrepreneur, so that you can both give money to start the business. You must make sure that your business partner is completely trustworthy and that you will be able to run the business together. Remember, you will have to pay two salaries, so make sure the business will make enough money for two of you. If you get a partner, you will need to put your agreement in writing, including details of how you are going to split the profits of the business and who will be working in the business.



Over to you ...

Explain how you are going to get the capital to start your business. How much capital will you need?

What is a budget and do I need to do one?



A budget is a **plan** of income (money coming in) and expenses (money going out). And yes, you must definitely do a budget! Before you start your business, you will have to **estimate** how much profit you are going to make. When you estimate, you are making an educated guess about the future. So a budget is just an estimate, but it will show you whether you will make a profit and so whether it is worthwhile going into business.

First, you need to estimate how much money your business will bring in. Remember, this is the **income**. Be realistic about how much income you are expecting to make. Rather estimate too low than too high. To estimate your income, think about:

- How much product are you going to sell?
- What are you going to charge for your products?

For example, John is planning to sell cellphone airtime. He plans to sell 100 R29 vouchers, 50 R55 vouchers and 40 R110 vouchers. He works out his estimated income as follows:

$$(100 \times 29) + (50 \times 55) + (40 \times R110) = R10050$$

So his estimated income is ten thousand and fifty rand.

Be realistic about how much turnover you are expecting to make. Rather estimate too low than too high.

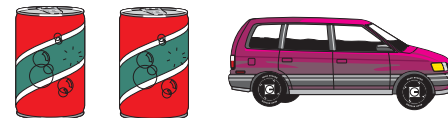
The next step in doing a budget is estimating the **expenses**.

Here are some of the start-up expenses of a business:

- Trading Licence – if your shop sells perishable products (things that can go off, like food or flowers), you will need to apply for a once-off trading licence. You must contact your local council for a trading licence and then they will usually send inspectors to check that your business is hygienic and that it is not a fire hazard. You don't have to apply for a trading licence if you are selling items that can't go off e.g. cellphone airtime or cleaning products.
- Equipment – e.g. cellphone airtime top up terminal, shelves, fridges, etc.

These expenses will cost you money when you start the business, but you can use them for a long time after that. Now have a look at some of the expenses you may have every month:

- Rent – money paid for the use of buildings or space.
- Transport – e.g. taxi, hired transport, delivery costs or the running costs of your own vehicle.
- Stock cost – the cost of the goods bought from a wholesaler e.g. Makro or Jumbo.
- Wages/Salary – money paid to people who work for you (part-time or full-time), as well as money paid to yourself as an individual for managing your business.
- Consumables – e.g. book and pens (to keep record of people who owe you money), as well as any other items that you need to run the business, but that you won't be selling.
- Loan repayments – if you have taken a loan, you will need to repay the loan each month.



Profit

If your income is more than your expenses, then you will make a profit. If your income is less than your expenses, you will make a loss.

To find your profit, take your income and subtract the expenses. In the example above, Lola will make a profit of R120,00. She will need to use this profit to buy more goods to sell the next week.

Let's look at an example. Lola wants to start a small spaza shop, so she draws up the budget over the page to show her estimated profits for one month. Notice that she doesn't pay any rent or have any loan repayments, so she just leaves these expenses blank.



Budget for Lola's Spaza Shop

| | Budget | | Budget |
|--------------|----------|-----------------------|----------|
| Income | | Expenses | |
| Total Income | R2500,00 | Rent | |
| | | Transport | R160,00 |
| | | Stock Cost | R1560,00 |
| | | Salary/Wages | R520,00 |
| | | Consumables | |
| | | Loan repayment | |
| | | Total Expenses | R2240,00 |
| | | Profit | R560,00 |

Let's see how Lola estimated her **total income** for her budget.

Lola wants to sell packets of sweets, chips, cooldrink and packets of fruit. All the items in the spaza shop will cost R5.

Lola expects to sell 20 items per day for 25 days a month; that makes 500 items in one month.
(20 x 25 = 500)

She expects to make 500 x R5 = R2500. So that means R2500 income for one month.

How did Lola work out her **total expenses**?

Lola will buy the chips, sweets and cooldrink at Makro, and the fruit at Fruit and Veg City.

She plans to buy her first batch of stock on Monday, which will cost her about R290.

She will have to go back to buy fresh fruit on Thursday, which cost her about R100.

Every time she goes back to the shops, it costs her R20 in taxi fare.

She decides to pay herself R100 salary per week for managing the business.

She also needs to pay R30 a week for someone to watch her stall while she goes to the shops.

From this information, she can do the following calculations:

- Stock Cost: $R390 + R100 = R490$
- Transport Cost: $R20 + R20 = R40$
- Salary/Wages: $R100 + R30 = R130$

This gives Lola the totals for a week. She multiplies each one by 4 to get an estimate of what she would be paying each month.

- Stock Cost: $R490 \times 4 = R1960$
- Transport Cost: $R40 \times 4 = R160$
- Salary/Wages: $R130 \times 4 = R520$
- By adding up all of her expenses, Lola will get the total expenses.



Over to you ...

Do a budget for your own business. Subtract the expenses from the income to find the profit.

| | Budget | | Budget |
|---------------------|--------|-----------------------|--------|
| Income | | Expenses | |
| Week 1 | | Rent | |
| Week 2 | | Transport | |
| Week 3 | | Stock Cost | |
| Week 4 | | Wages | |
| Total Income | | Consumables | |
| | | Loan repayment | |
| | | | |
| | | | |
| | | Total Expenses | |
| | | Profit | |

I've done a budget. What now?

Remember, a budget is just a guess at your income and expenses. Once you have done a budget, you need to compare it to what is happening in real life. The real life figures are called actual figures, because it is what is actually happening.

Throughout the month, you must keep a note of all of your actual expenses and income.

It's important to compare your actual figures to your budgeted figures. You will start to budget more accurately and make better plans for the future of your business.

Look at the table on the next page. At the end of the month, this business owner filled in the actual amounts that were spent and compared them to the budgeted amounts. This will help the business owner to budget more accurately in the next month. Notice that he has listed his income for each week.

Notice that this business owner made more profit because his actual income was higher than his budgeted income for 3 out of 4 weeks of the month? He also paid out slightly less than expected on expenses.



| | Budget | Actual | | Budget | Actual |
|---------------|--------|--------|-----------------|--------|--------|
| Income | | | Expenses | | |
| Week 1 | R600 | R730 | Rent | R200 | R200 |
| Week 2 | R600 | R610 | Transport | R120 | R150 |
| Week 3 | R600 | R660 | Stock Cost | R1200 | R1120 |
| Week 4 | R600 | R570 | Wages | R100 | R150 |
| Week 5 | | | Consumables | R100 | R78 |
| Total | R2400 | R2570 | Loan repayment | R300 | R300 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | Total | R2020 | R1998 |
| | | | Profit | R380 | R572 |

How can I manage the cash coming in and out of my business?

We turn now to the day-to-day finances of the business. In order to run a successful business, there must be a steady flow of cash from your customer into your business (income) and then from your business to pay your suppliers (expenses). This is called the **cash flow** of the business. To have a good cash flow in your business, you need to plan ahead, as well as look after the actual cash coming into your business on a day-to-day basis.



It is suggested that you use a **cash box** to keep your cash safe during the day. You can buy a cash box with a lock and key at a wholesaler or at a stationery shop. Try and keep the cash box out of sight and in a place where only you can get to it. Alternatively, you can keep the cash in a small bag in your pocket or in a pouch around your waist. Decide on a way of keeping your money that suits you and that will be safe in your surroundings.

Don't keep a lot of cash at your shop, as it will be an attraction for thieves.

Start the day with a **float**. A float is just enough money to use for change for your customers. Make sure that you have enough coins and R10 and R20 notes in your float. You must be able to give people change from the first thing in the morning; otherwise they will not buy from you.

At the end of the day, or at the end of the week, you should bank your money. Some traders prefer to just keep the cash in a safe place in their houses, but this is not the safest way of keeping money. It could be stolen or there may even be a disaster like a fire and your money will all be gone. Putting the money in the bank also stops you from simply taking cash when you need it for your own personal items. Remember, your personal money must be a set salary, which is a business expense.

How should I keep a record of receipts/income?

You now know that the money coming into the business is called income. Each time someone pays you money for something in your shop, we call that a receipt, which comes from the word “receive”, because you are receiving money from someone.

You need to keep a record of all of your receipts, because this will help you to see if you are making money in your business or not. Look at this example of a Cash Receipts Journal that was kept by Delia’s Delights for the first part the month of May 2009. Delia makes sandwiches and then sells them to business people at their offices.

| Date | Details | Amount |
|----------|----------|--------------|
| 01/01/09 | Float | R200 |
| 04/05/09 | Cash box | R133 |
| 05/05/09 | Cash box | R198 |
| 06/05/09 | Cash box | R137 |
| 07/05/09 | Cash box | R244 |
| 11/05/09 | Cash box | R105 |
| 12/05/09 | Cash box | R177 |
| 13/05/09 | Cash box | R209 |
| | | R1403 |

You can see that Delia has just made a note of how much cash she has in her cash box at the end of each day. Remember, she will have to minus her float to work out how much money she has made.

$R1403 - R200 = \mathbf{R1203}$.

Delia has made **R1203** during the first part of May.

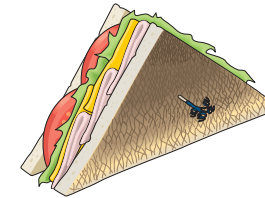
How should I keep a record of payments?

Now Delia has to pay out money to buy bread and fillings for her sandwiches. She takes money out of her cash box to buy the supplies, but she leaves the slips for these supplies in the cash box. This is to remind her that she has taken money out of the business and has spent it on an expense. Delia also has to pay to put petrol in her car. She keeps the slip and puts it in her cash box.

Delia writes down what she has spent in her Cash Payments Journal, like this:

| Date | Details | Paid to | Amount |
|----------|--------------------|-------------|-------------|
| 04/05/09 | Stock | Pick 'n Pay | R63 |
| 05/05/09 | Stock | Pick 'n Pay | R24 |
| 06/05/09 | Stock | Pick 'n Pay | R24 |
| 07/05/09 | Stock | Pick 'n Pay | R75 |
| 11/05/09 | Stock | Pick 'n Pay | R24 |
| 12/05/09 | Stock | Pick 'n Pay | R24 |
| 13/05/09 | Stock | Pick 'n Pay | R49 |
| 13/05/09 | Transport (Petrol) | BP The Berg | R200 |
| | | | R483 |

Under details, Delia writes the category of payment. Besides stock and transport, the other categories could be wages, rent, equipment (like a crate to carry the sandwiches) or marketing costs. By keeping her slips, Delia knows where she is spending her money and how much she is spending. This is important for a small business, because you might be able to get a discount from a wholesaler if you can prove how much money you spend with them.



By totalling up the Cash Payments Journal, you can see how much money you have spent and you can compare that to your total income in your Cash Receipts Journal.

In Delia's case, she has earned R1203 and she has spent R483 by the 13th of the month. She is doing well, but she needs to remember that she still has to pay herself a salary and she will also need to think of buying new equipment at some stage – if not this month, then in a few months time – and there will have to be money in the business to do this.





Over to you ...

Read the paragraphs below, which tell you what has happened in Sabelo's Spaza. Fill in the entries in either the Cash Receipts Journal, or the Cash Payments Journal. The first few entries have been done for you.

On 1 June 2009, Sabelo starts off with a float of R150 in coins and small notes in his cash box. He starts selling items in his shop, e.g. cases of Coke. At the end of the day on 1 June, Sabelo counts a total of R345 in his cash box. This amount includes his float.

For the rest of the week, Sabelo does well. He keeps his float of R150 separate and he counts up how much extra he has made each day. He makes the following each day (these amounts do not include the float): on 2 June, R195; on 3 June 180; on 4 June, R165 and 5 June, R205.

On 1 June, he pays R350 to Jumbo for cases of Coke that he will be selling. He asks his friend Pios to drive him to Jumbo and back and Pios charges him R30 for transport.

The next weekend, Sabelo needs to get more cases of Coke. On 8 June, he goes back to Jumbo and buys R250 worth of Coke. He also needs a new notebook, some pens and a ream of paper to print flyers. These consumables cost him R120. Again, Pious charges him R30 for the trip.

The next week Sabelo counts up the following in his cash box each day (these amounts do not include the float): 8 June, R230; 9 June, R170; 10 June, R125; 11 June R220 and 12 June, R200.

During the week, Sabelo gets his friend Sepati to help him at the spaza shop. He pays her R50 in wages on 12 June.

Sabelo also pays himself a salary of R200 on 12 June.

Cash Receipts Journal

| Date | Details | Amount |
|----------|----------|--------|
| 01/06/09 | Float | R150 |
| 01/06/09 | Cash box | R195 |
| | | |
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Cash Payments Journal

| Date | Details | Paid to | Amount |
|----------|---------------|---------|--------|
| 01/06/09 | Cases of Coke | Jumbo | R350 |
| | | | |
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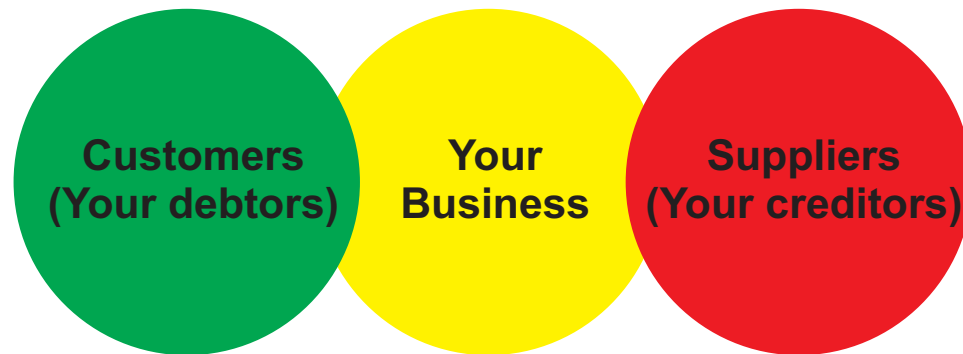
How do I manage debtors?

Some spaza shops will allow their customers to take goods and then pay later. This is called giving **credit**. If you are giving credit, or you are planning on giving credit, then read the next section carefully. If your customers are not paying your business in time, then you will not be able to pay your suppliers. Eventually, you will go out of business. So it is very important that you manage the credit in your business.

Debtors and creditors

Customers that owe you money are called your **debtors**, because they owe a **debt** to you.

If your **suppliers** have given you **credit** and you owe them money, then they are called your **creditors**.



You must decide on a **credit policy** for your business. There are a few choices:

Do not give credit to anyone.

You will never have to worry about getting money back from people, but this may become a problem if other spaza shops around you are giving credit and so people will prefer to go to them.

Only give credit to some people.

You may decide to give credit to your regular customers, who you know will pay you back on time. You could also ask for the telephone number and address of anyone you give credit to, so that you can remind them to pay you back.

Give credit to anyone who asks for it.

This will encourage people to come to your shop, but you are taking a risk giving credit to people you don't know will pay you back.

If you decide to give credit, then you need to have a good system to monitor your debtors. When you give credit, you must agree with the customer on a date that the debt is to be paid – at the end of the week, end of the month etc. It is suggested that all of your debtors pay you at least by the end of the month.

When you give credit to someone, you need to make a note of it in your cash box. On a coloured piece of paper, write down the debtor's name and tel/cel number, the date and the amount owing. Put this piece of paper in your cash box.

| | | | |
|--|--|--|---|
| <i>F Kunene</i> <i>03/05/09</i> <i>R50</i> | <i>R Ramogopa</i> <i>08/05/09</i> <i>R25</i> | <i>H Mabuza</i> <i>15/05/09</i> <i>R33</i> | <i>A Smith</i> <i>16/05/09</i> <i>R40</i> |
|--|--|--|---|

Then, you must keep a record of this credit in a book. This will be called your **Debtor's List**. Ask the debtor to sign that he/she has received credit from you and tell him/her when the money is due. Remind the customer a few days before that he/she owes you money and do not give any further credit to the customer until he/she pays the debt.

Here is an example of a Debtor's List for Delia's Deli.

| Date | Debtor | Amount | Debtor Sign | Date Paid | Owner Sign |
|-------------------------|-------------|--------|--------------------|-----------|--------------------|
| Due 31 May 2009 | | | | | |
| 04/05/09 | F. Kunene | R50 | <i>FB Kunene</i> | 06/05/09 | ✓ <i>DSShirley</i> |
| 08/05/09 | R. Ramogopa | R25 | <i>R? Ramogopa</i> | 10/05/09 | ✓ <i>DSShirley</i> |
| 11/05/09 | H Mabuza | R33 | <i>H Mabuza</i> | | |
| 13/05/09 | A Smith | R40 | <i>AG Smith</i> | 31/05/09 | ✓ <i>DSShirley</i> |
| Due 30 June 2009 | | | | | |
| 08/06/09 | F. Kunene | R30 | <i>FB Kunene</i> | 30/06/09 | ✓ <i>DSShirley</i> |
| | | | | | |

Notice that it is Delia's policy that if she gives credit, the debtors have to pay her by the last day of the month, otherwise they will be marked overdue, as in the case of H Mabuza – notice that his name has been highlighted.

Once your debtors have paid you, you will need to record that in the Cash Receipts Journal, because you have received money into your cash box. Look at how Delia has recorded her debtors' payments in her Cash Receipts Journal.

| Date | Details | Amount |
|-------------|----------------------------|---------------|
| 01/05/09 | Cash box | R133 |
| 02/05/09 | Cash box | R198 |
| 03/05/09 | Cash box | R137 |
| 06/05/09 | Cash box | R244 |
| 06/05/09 | Debtor payment: F Kunene | R50 |
| 07/05/09 | Cash box | R105 |
| 08/05/09 | Cash box | R177 |
| 09/05/09 | Cash box | R209 |
| 10/05/09 | Cash box | R183 |
| 10/05/09 | Debtor payment: R Ramogopa | R25 |
| | | R1461 |

You could choose to write down each debtor's payment, like Delia. Or, you could just lump the debtor's into the receipts for the day. So, the total in the cash box for 06/05/09 would be R294 (R244 in cash + R50 from F Kunene).



Explain how you will manage debtors in your shop. How will you make sure that you have a good record of debtors and that they pay on time?

Should I buy goods on credit?

Sometimes it will be possible to get credit from your suppliers. This is usually good, because you don't have to pay any money upfront. Then, you can sell the goods and get money from your customers. You can use this income to pay for the goods. Whatever is left is profit for the business.

If your supplier is not giving you credit, you can try and negotiate a credit arrangement. Or, try and negotiate a discount for buying in bulk.

If you can't pay your creditors on time, you must let them know before the due date for payment. Explain why you can't pay and explain what you are doing to fix the situation e.g. collecting money from your debtors. Come to an agreement with your creditor for a later payment date if possible. Always be accommodating and polite to your creditors – they need your business, but you need them just as much to keep your business going.



You need to keep a record of creditors, just like your list of debtors. Look at this example of a **Creditor's List** for Delia's Deli.

| Date | Details | Creditor | Amount | Due date | Date Paid |
|----------|-----------|----------------|--------|----------|-----------|
| 04/05/09 | Equipment | Makro | R190 | 31/05/09 | 10/05/09 |
| 10/05/09 | Marketing | One Stop Print | R220 | 10/06/09 | 10/06/09 |
| 15/06/09 | Equipment | Makro | R120 | 30/06/09 | 30/06/09 |
| | | | | | |
| | | | | | |

You will notice that there is no place for signatures, like in the Debtor's List. However, you will probably have to sign an account from your creditor to say that you accept that you owe them money. Keep all of these accounts for your records.

Remember, that once you have paid your creditor, you will have to record it in your Cash Payment Book as an expense.

Notice that Delia spent R220 with One Stop Print on 10 May, but she only had to pay in 30 days time, which was on 10 June. This will go under June's expenses, so she will need to make sure she has enough money in June for this payment. That's why it is important to keep a Creditor's List, so you can plan when money will be going out of your business and you will not be caught short.

Look at how Delia has recorded her creditor payments for May in the Cash Payments Journal.

| Date | Details | Paid to | Amount |
|----------|--------------------|------------------|-------------|
| 04/05/09 | Stock | Pick 'n Pay | R63 |
| 05/05/09 | Stock | Pick 'n Pay | R24 |
| 06/05/09 | Stock | Pick 'n Pay | R24 |
| 07/05/09 | Stock | Pick 'n Pay | R75 |
| 11/05/09 | Stock | Pick 'n Pay | R24 |
| 12/05/09 | Stock | Pick 'n Pay | R24 |
| 13/05/09 | Stock | Pick 'n Pay | R49 |
| 13/05/09 | Transport (Petrol) | BP The Berg | R200 |
| 14/05/09 | Stock | Pick 'n Pay | R24 |
| 14/05/09 | Equipment | Makro (Creditor) | R190 |
| | | | R697 |

Note that all of Delia's other creditors were only paid in June, so they won't be reflected here.



Over to you ...

How will you manage your creditors? Will you accept credit from your suppliers? How will you make sure that you can pay your creditors on time?

What should I know about banks and bank charges?



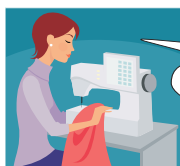
You should hopefully be making a lot of money in your business and you now know that it is not a good idea to keep a lot of cash lying around. The best solution is to open a bank account for your business. Because you are a sole trader, the account will be in your name but it will be a separate account from your personal account.

Get advice from one of the consultants at the bank. A good bank consultant will be able to get you the best account to suit your business needs. Tell them how often you will need to deposit cash, how many times you will need to draw money and whether you need access to Internet banking.

Remember you will have to pay bank charges to leave your money with the bank and to transfer money when you need it.

It's a good idea to compare two banks to see which one can offer you the best deal.





Over to you ...

Go and visit at least two banks in your area. Explain that you are starting your own business and that you need to set up a bank account. Find out what documents they would want you to have to open a bank account. Make a list of the services that the bank can offer you and then write down how much they will charge you for bank charges. You may cut and paste parts of the banks' brochures here.

Who should pay VAT and Tax?

Your business may start out informally, but if you start making large amounts of money you will have to register with SARS to pay tax. Go to your nearest SARS office, where there are consultants that will help you to register for tax. They will tell you if you need to register and they will help you fill in your tax returns each year. Alternatively, you could check the SARS website at www.sars.gov.za or call the SARS Call Centre on 0860 12 12 18.

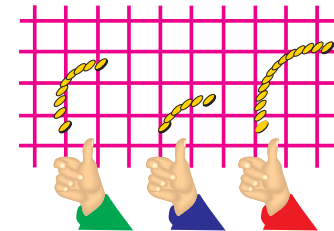
In most cases, a spaza shop owner will be registered as a sole proprietor (which means there is only one person that owns the business).



Location and Marketing

What should my selling price be?

In order to keep going, a business needs to make more money than it is paying out on expenses; this means that sales is an essential part of the success of any business. In fact, the biggest danger to any business is no sales!



Selling price

Setting a selling price for your goods needs quite a bit of thought. If you charge too little, you will not make enough profit. If you charge too much, no one will buy your services or products and the customer will rather go to somewhere that is cheaper. Also, if your prices are too high, you will create a gap in the market for someone to offer the same goods at a lower price. Your old customers will start to buy from the competition, because it is cheaper and they may be offering exactly the same goods as you are.

Working out your mark-up

You obviously can't sell your goods for what you paid for them, otherwise you will go out of business. You need to mark-up your goods to make a profit. To work out the selling price of your goods, you must decide on a percentage mark-up. As a general rule, add 30% mark-up on your cost price. For example:

Cost price of a can of Coke = R6 (For a 30% mark-up, multiply cost price by 1,3)

Selling price = $R6 \times 1,3 = R7,80$

Added value

When setting your selling price, think of the value of your goods to the customer. Are your customers getting value for the money they are paying out. Your customer will also see value in:

- **The right place to shop** – is your business in a place that is easy for the customer to get to e.g. on his way to work, just down the road from home etc.?
- **Long shopping hours** – is your business open at times that suit the customer? For example, if your shop is open until 10pm at night and no other shops are open at that time, then there is value in that for the customer.

OPEN



- **Very good quality** – if the customer believes that your goods are a lot better quality than other goods, the customer may be willing to pay more and you can increase your selling price.
- **A lot to choose from** – many customers would appreciate the chance to choose between a range of products. If you just have one flavour of juice, or you can only top up on one cellular network, then customers will start to look at other shops for more choice.



Would you pay R50 for a small bottle of water?

You probably said, "No, of course not!"

But, the situation would change one day if your car had broken down in the middle of the Kalahari Desert and you were left stranded, a day's walk between two towns. Imagine you start walking and the sun is beating down on your skin – you are hot, tired and thirsty. You have a wallet full of money, but that is no use to you. A man rides towards you on a motorbike. He has a small bottle of water and he says he will sell it to you for R50. What do you do? Of course, you buy the small bottle of water for R50 and you are delighted with your purchase as you gulp down the water from the bottle.

Can you see that the amount of money you will pay for goods is all about the value that you see in those goods?

Now imagine that instead of seeing a man on a motorbike, you find a group of traders selling refreshments. As you get closer you see a vendor selling water at R10 a bottle, you see someone selling an ice cold Coke for R12 and someone selling tea and coffee at R15. Each vendor is urging you to buy from them. You as a customer have a choice now: how much do you want to spend on getting a drink? And what drink would you like? The water vendor probably couldn't charge R50 for a bottle of water in this case, because you would probably choose one of the other refreshments.



R10



R12



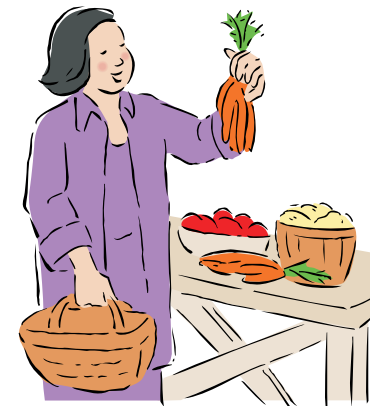
R15

Where should I place my business?

Clearly, there is value in **where** your business is located. If it is open in the right place and at the right time for the customer, then your chances of making a sale are so much higher. In fact, the location of your business is probably one of the most important factors in determining the success of your business.

Here are some of the questions you should ask when choosing a location for your business:

- Is it on a **busy route**? If there are more people walking past, there is more opportunity to make sales.
- Are you the **only one in the area** selling your goods/services? You should try to find a location where there is no competition – at least in the immediate vicinity.
- Is it **easy to get to** for yourself and your goods/services to the spot?
- Is your location **sheltered from the weather**?
- Is your location **visible to your customers**?
- Is there **enough space** to display your goods?
- Is it a **secure environment**?
- Is there running **water and electricity** available?



It will be very difficult to find a location that meets all of these criteria, in fact it's close to impossible. If you were the only vendor of your product in town and there were thousands of people walking past your shop everyday, you would probably be making sales very easily and very quickly. But, it is hardly ever the case that you are the only vendor and that people just come flocking to your shop.

You need to think about how to attract customers and where to place your business so that it has the best chance of attracting customers that would want to buy your products. So it is important that you are clear on what you intend selling and that you have researched your market, as we did in the previous chapters. This will help you to select a location that is the best for you – even if it is not perfect. You must also remember that the best location will probably cost the most money. You have to choose a location that gets you a lot of business, but that isn't going to cost you all of your profits.



Over to you ...

Where will you place your business? Why have you chosen that specific spot? Refer to the questions you should ask when choosing a location for your business to explain why your spot is the best spot.

How do I deal with the competition?

Who is the competition?

In this country, you have the freedom to set up your own business and to make money from it. Of course, everyone else also has this freedom, so the fact is, you will have competition to your business.

So, the first step in dealing with the competition is finding out who the competition is. You can do this by taking a walk around your area and identifying any other vendors that are selling the same product or service as you are.



Where is the competition?

Once you know who your competition is, you need to find out where they are trading from. Your main competition is the other vendors who are selling the same products very close to you. If there are too many vendors selling the same product in the same area, then there will not be enough customers. Vendors will be forced to lower their prices just to attract customers.

You might also need to think of competition that is further away. For example, if your spaza shop is at the taxi rank in the township and most of the people are travelling into town, then you have to remember that the vendors in town could also be competition. If customers are getting better service or better value for money in town, then they will not buy from you and rather wait until they get into town. So it's important to keep a look out for competition further away, as well as competition that is close to your shop.

How can you beat the competition?

- Keep an eye on the competition and know exactly what they are offering and for what price.
- Offer equal or better service.
- Offer a product that people need or want.
- Sell your goods at a lower price.
- Get the customers to come to you first. To do this you need to be creative and always have something new and better to offer the competition than the customer.

It is important to speak to your customers and always keep in touch with the market. In this way, you will know what your customers want – what price they are willing to pay, what services they want and how you can change your business to keep the customers coming back to your business. If you do this, your sales should increase, but you will need to keep working hard and keep talking to your customers. Don't assume you know what the customers want – take the time to ask them directly. As you become more successful, you will start to take the lead in your market and the competition will have to keep up with you to stay in the market. But as the competition catches up to you, you will have to do something that makes you better than them again – all of this takes hard work.

I always make it a habit to look at my business through my customers' eyes. I ask:

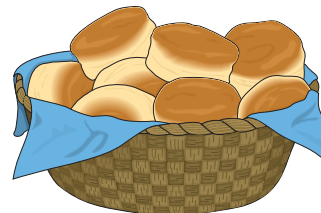
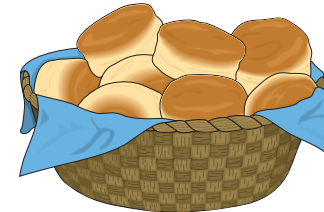
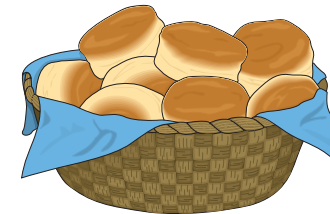
- Does the business look professional, yet friendly?
- Are the customers greeted with a smile and made to feel welcome?
- Are we selling products that a customer wants and needs? At the end of the day, it's the customer that will be putting the money into my hands, so I realise I have to make it worth his while to buy from me!

Case study



Harry owned a small spaza shop in town, where he sold airtime and snacks to his customers. Harry was doing very well until one month, he noticed that some of his regular customers had not come to top up and his sales had dropped. Harry asked some of the customers and they told him that there was a new spaza shop at the taxi rank in the township. If you topped up there, you could get a free fruit to eat on your way into town. People loved this idea, so Harry had to get creative. He advertised that customers would get a free scone when they topped up with him. His wife made fresh scones

every morning. The scones were so delicious that many people started coming back to Harry and topping up. In fact, people loved the scones so much that they were buying extras to take home to their families! Harry's sales went up even higher than they were before. Harry realised that you have to always watch what the competition is doing and then get creative with what you are offering the market.





Over to you ...

In order to offer a better service to your customers, you need to draw on your own experiences as a customer: Think of a time when you got good service at a restaurant, shop or other business and write it down. How were you served? What did the person say? Did they give you the right information? What else made you feel like you had received good service?

Think of a time when you received bad service at a restaurant, shop or other business and write it down. How were you served? How did you feel when you got bad service? Will you go back to that establishment? What else made you feel like you had received bad service?

Selling a good product in the right way

In this section, we will look at two important aspects that have to be in place if you want to run a successful business. These are: good service and a quality product.

Unfortunately, South Africa does not have a good reputation for good customer service. This is a huge problem in a world where “the customer is king”. As an entrepreneur, you have to realise that you are no longer working for a boss to pay your salary. Rather, you have to see the customer as a new kind of boss, because he has the money and you have to find ways of getting him to spend it with you. Therefore, you need to offer all of your customers the best service in town.



Here are some of the ways you can offer **good service**:

- Smile at your customers and greet them when they come up to your store.
- Listen to the customers when they talk to you, so that you know exactly what they need.
- If customers ask for information about any of your products, you need to answer their questions clearly and then ask if they would like any more information.
- Where appropriate, get to know the names of your regular customers and then use their names – this helps to give a personal touch to your service.

If you treat your customers well, they will feel good about having visited your shop – you will be happier and they will be happier. Of course, you should also start to see the financial rewards of happy customers. Happy customers will return to buy more goods and they will tell their friends about the wonderful service they received at your store.

As a trader, you also need to think about **good quality**. Your customers will be expecting a certain level of quality. You need to discover what an acceptable level of quality is for your customers. Read these examples:

Kentsi's Baskets

Kentsi is selling woven baskets and using material that breaks easily. People buy the baskets and they use them to carry their books, shopping and other goods. Within a month or two, the baskets are broken. These customers will not buy from Kentsi again because her quality is not good enough.



Alternative for Kentsi: weave more artistic patterns in the baskets and sell them as decorations, rather than baskets that will be used on a daily basis.

Nicky's Sandwiches

Nicky makes delicious gourmet sandwiches and she only uses the freshest and finest quality fillings on her sandwiches. She prides herself on her excellent quality. The problem is that when she sells sandwiches, she has to charge a whole lot more than her competitors. Many customers cannot afford her sandwiches and so a lot of her fine quality food goes to waste and Nicky loses money. Here, the quality is too good.



Alternative for Nicky: advertise these gourmet sandwiches in a few different office parks. Get people to order their sandwiches in advance and then deliver the sandwiches to the individual people. That way, there is less wastage and Nicky is targeting the people that have money for high quality, luxury food.

How do I tell people about my business?

Now that you have researched your market, planned your finances and have studied the competition, you are ready to start your business. Having the right product and offering a good service is essential, but if no one knows about it, then you will get no sales and you will go out of business very quickly. The way you attract customers is called marketing.

You have already started the process of marketing by thinking about your market and your customers. Marketing is all about finding ways to meet the needs of your customers so that your business can make a profit. To do that, you must communicate with your customers, find out what their needs are and then show them how you will meet those needs.

Here are some of the ways that you can market your business:

- **Advertising** – this is where you tell people about your business and your products. You could advertise by making a flyer, photocopying it and then handing it out to people in the area. You could make posters and place them around the area, telling people about your business and where it is. Remember that in most areas, you have to get permission from the municipality to put up posters.
- **A sign** – the most important advertising that you can do for a small store is to make a sign that is eye-catching and clear. If you have money, then get a professional sign writer to make you a sign that can be placed above your store.



Think very carefully about the colours that you want. Bright colours look good, but make sure that you can see the name of the shop clearly. Another option is to ask one of your suppliers to sponsor a sign. Companies like Coca Cola have been known to provide spaza shops with a sign that has the name of the spaza shop, with the Coke logo on it. If either of these options is not possible, then you will have to make your own sign. Make sure the sign is as neat and attractive as possible and that you can put it in a place where people can see it and recognise your store. That way, if customers like your store, they can find you more easily the next day because your store stands out in the crowd.

- **Sales promotion** – this is where you add value to your product to increase sales. For example, a money-off voucher, sampling your products, a competition, discounts or giveaways.
- **Public relations** – this is where you create a news story out of your business and then try to get a newspaper or magazine to publish the story. Look at the kinds of stories that are being published in your local newspaper. Your story could be about a competition you are running or you could talk about what it is like to run a small business. Many businesses have got good publicity from doing something good in the community, for example, cleaning up the street where your business is located or empowering local women by selling their crafts.
- **Face-to-face selling** – here, you will need to tell someone about your product face-to-face. You will need to know why your business is better than the competition and you will need to convince the customer to buy from you and not the competition.



I have good customers. How do I keep them?



You also need to think of ways to keep your existing customers.

You could do this by giving them a discount voucher for their next purchase, if they spend over a certain amount with you.

You could also offer a free gift when the customer comes back again – it could be something small like a can of cooldrink, but it must be good enough to get the customer back. Make sure you put a time limit on any free gifts you offer. After all, the idea is to get the customer to come back quickly.

Another method may be to give a limited discount for a limited time. For example, Freddie offers a 5% discount on all Vodacom prepaid airtime vouchers, between 3pm and 4pm every weekday. If you decide to do this, then make sure that you create a pattern, so that customers will remember and come to your store to receive the discount. Choose times during the slow business periods so that you can increase your sales during the slow times. During the busy periods of the day, your sales will be up already, so it's no use offering a discount then.



What goes into a marketing plan?

You will need to include a marketing plan in your business plan. Your marketing plan does not have to be long or complicated. It just needs to show that you have researched the market and that you have plans to attract customers to buy from your business. You will need to answer these five questions in your marketing plan (*see explanation in diagram on the next page*).

- What is the **product** and why is it valuable to customers?
- Who is the target **market** for the product?
- What is your **pricing** strategy?
- How will you **sell** and **distribute** the product to your customers?
- How will you **promote** your product?





Sophie is starting a clothing business at an African craft market in Soweto. This is the marketing plan that Sophie has prepared.

- What is the **product** and why is it valuable to customers?
The product is African-style clothing for men and women. The clothing will be valuable to customers because of the unique African designs and the good quality fabric.

- Who is the target **market** for the product?
The main target market is tourists, who will want to take home some traditional African clothing. The secondary target market is the more wealthy township residents.

- What is your **pricing** strategy?
There will be a wide range of prices, depending on the type of clothing. Smaller items like bandanas, head scarves and beaded bracelets will cost between R10 and R100. That way, if tourists just want a small souvenir, we can get their business. For dresses and men's shirt and trouser combinations, we will charge between R150 and R1000.





- How will you **sell** and **distribute** the product to your customers?
Clothing will be sold at a stall at the African Craft Market, where many tourists come to shop. Customers will mainly buy the goods immediately. However, an order system will be available for customers who want a special outfit made.
- How will you **promote** your product?
To promote the product with tourists, we plan to have a tourist photo opportunity, where the tourists can have their picture taken with me and my helper, Judy. This will give Judy and I an opportunity to promote the clothes and show the tourists how good they would look in some of the outfits.

To promote the product with the local people, we will hand out 10% discount vouchers in the township. That way, Soweto residents will feel they are getting a good deal.



Over to you ...

Now it's time for you to write a marketing plan for your business. Use Sophie's marketing plan as an example and refer to the diagram if you need help.

What is the **product** and why is it valuable to customers?

Who is the target **market** for the product?

What is your **pricing** strategy?

How will you **sell** and **distribute** the product to your customers?

How will you **promote** your product?

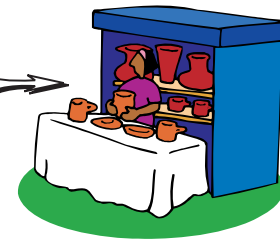
How can I keep my sales up?

Imagine that you have done all this planning and you have been trading for a few months, but your sales are still low and you're only just managing to break even. You will need to ask yourself the following questions all the time to make sure that you are not doing anything that could harm your sales.

- Is your price right? If your price is too high, then people will not be able to afford your product. If your price is too low, then people might think your product is not very good and they will not buy from you.
- Is your product presented in an attractive way? Make sure that the customer can see your product clearly and that it looks exciting and attractive.
- Are you helping your customers and giving good customer service? Don't just say. "Can I help you?" Look at some of the ideas in these pictures.

Hello Sisi - are you looking for something for yourself or for a gift? I'd be happy to wrap it for you.

Sawubona Mnumzana. We've got plenty for you to choose from, but I'd recommend the curry today!



Business management

What do I need to know about managing people?

As your business grows, you might find that you need the help of other people. There are also lots of tasks that are required to keep your business going and you might not be able to do all of them at the same time.

At first, you might just need the help of other people on a part time basis. For example, you might agree to pay your neighbour R50 a trip to collect and deliver your stock. It's a good idea to put this agreement in writing so that each party knows what is expected of them. Write down the days and times that the person must deliver, how much you will pay and on what dates. You should also write down a procedure for cancelling a delivery. For example, if either party needs to cancel a delivery he/she will let the other party know at least 24 hours in advance.

If you do really well, your business will grow to a point where you need to employ a full time employee. You need to be very careful when employing someone, as there are great responsibilities that come with being an employer. Here are some suggestions to help you when hiring a new employee:

- Make sure that the employee can do the job. Get references from any previous jobs they have worked at, or offer them part time work at first.
- Draw up a contract with your employee. The Department of Labour has some standard contracts that you can use. Visit your local Department of Labour, or the website <http://www.labour.gov.za>

How do I run my business on a day-to-day basis?

You have now done most of the planning and you are ready to start your business. At this stage, it is important to look at how you do things everyday. You should ask yourself these questions on a weekly and a daily basis. Sometimes your answers will be the same, but other times, they will help you to change your business for the better.

- **What equipment do I need to trade?**
 - Think of all the things you need to set up your spaza shop, e.g. table, chairs, umbrella, fridge, cellphone airtime terminal, battery, buckets of water for flowers, etc.
- **Where will I get stock?**
 - Usually the best place to get stock is at a wholesaler. Make sure you keep comparing prices between different wholesalers.
 - Try to develop a friendly relationship with your wholesaler and try and negotiate a discount.
- **What preparation of stock needs to be done?**
 - Think of all the things you have to do before you can start selling your stock, e.g. making sandwiches, putting crisps into smaller packets, arranging flowers.
- **Who do I need to help me?**
 - Think of all the people that will help you in your business. How much will you pay them? For example, a driver to deliver your goods or people who will work in your shop.

- **When must I open and close the shop?**
 - Think about the best times that you will get business.
 - Check what time your competitors are open and make sure you are also open during these times, and more often if necessary.
- **When will my busiest time be?**
 - Think about what you are selling and when people will need it the most. Make sure you can serve them during the busiest time and get help for these times if necessary.
- **Where will I set up my shop?**
 - You must find a place where you get good business from passers-by. If your location is not working and you are losing money, then you must think of moving to a place that will attract people to your shop.
- **Why am I doing all of this?**
 - This is an important question to ask. One of the reasons you are working so hard in your own business is to make money, but another more important reason is because you enjoy what you are doing. If you do not enjoy what you are doing, make some changes in your business. Learn to enjoy the small things in your business.



The business plan

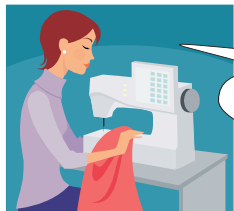


Now that you have investigated the many aspects of starting a small business, you need to draw up your own business plan. Remember, that a business plan is used for your own planning in the business, as well as to present to banks and other investors if you need to get finance for your business. Throughout the course, you have actually been building a business plan. All that remains now is for you to put it all together.

There is no set format for a business plan, but you can use the following headings to structure your business plan. It's important to check if your investor wants the business plan in a particular format. Some banks have a standard business plan that they want you to fill in. However, most of the information will be the same, so start here and you may have to just restructure your information later.

Structure of a business plan

- Table of contents
- Executive summary (*An overview - to summarise the key points of a document for its readers, saving them time and preparing them for the upcoming content*)
- Company description (*Short description of what the company will sell or provide*)
- Target market and opportunity
- How will the business compete in the chosen market (strategy)?
- How will the business make a profit (business model)?
- How will the business be managed and organised?
- How will the business tell the market about its product (marketing)?
- How will the business function on a day-to-day basis (operations)?
- What is the financial future of the company?



Over to you ...

Using the information you have learnt and prepared in this course, draw up a business plan for your business. Do your planning here and then do a neat copy on a separate piece of paper.

A blank sheet of lined paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are four short horizontal lines and four short vertical lines at the corners, forming a rectangular border around the main writing area.

Blank lined area for writing.

Using the Celltime Terminal in your spaza shop

Most people today own a cellphone. This is an important market for spaza shop owners, because customers need to top up the airtime on their cellphones regularly.

The Celltime Terminal is a piece of equipment that can help you earn more money in your spaza shop, because customers can come to you to top up their cellphones using this terminal.

When a customer comes to your spaza shop and asks for a top up for his cellphone, you will need to follow the instructions on the keypad. The terminal will print a voucher for your customer. The customer will key in the number on the voucher into his cellphone and his cellphone will be topped up.

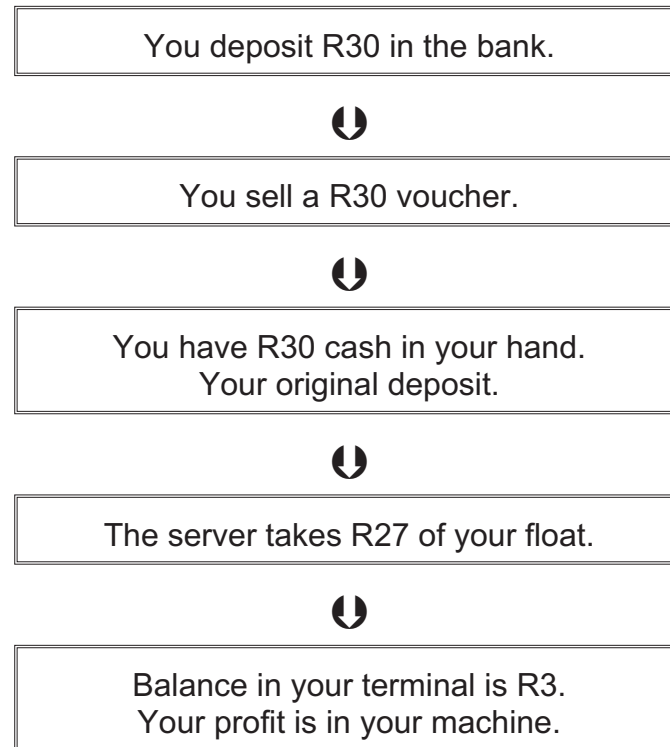
How will you make money?

You will receive a discount for each transaction that you do. For example, if a customer buys a R50 Telkom voucher, you will get a 10% discount. That means that the customer will give you R50, but only R45 will be deducted from your terminal. In other words, your expense is R45; your income is R50, so your profit is R5.

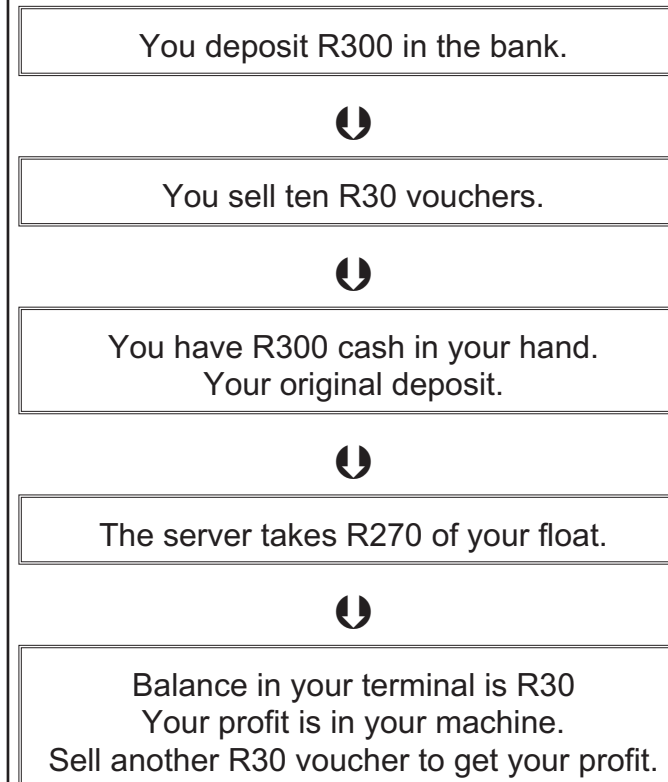


Look at how this works in the diagram below.

Let's take R30 and say you get 10% discount



Let's take R300 and say you get 10% discount



How does the terminal work?

When you buy the terminal, you will get:

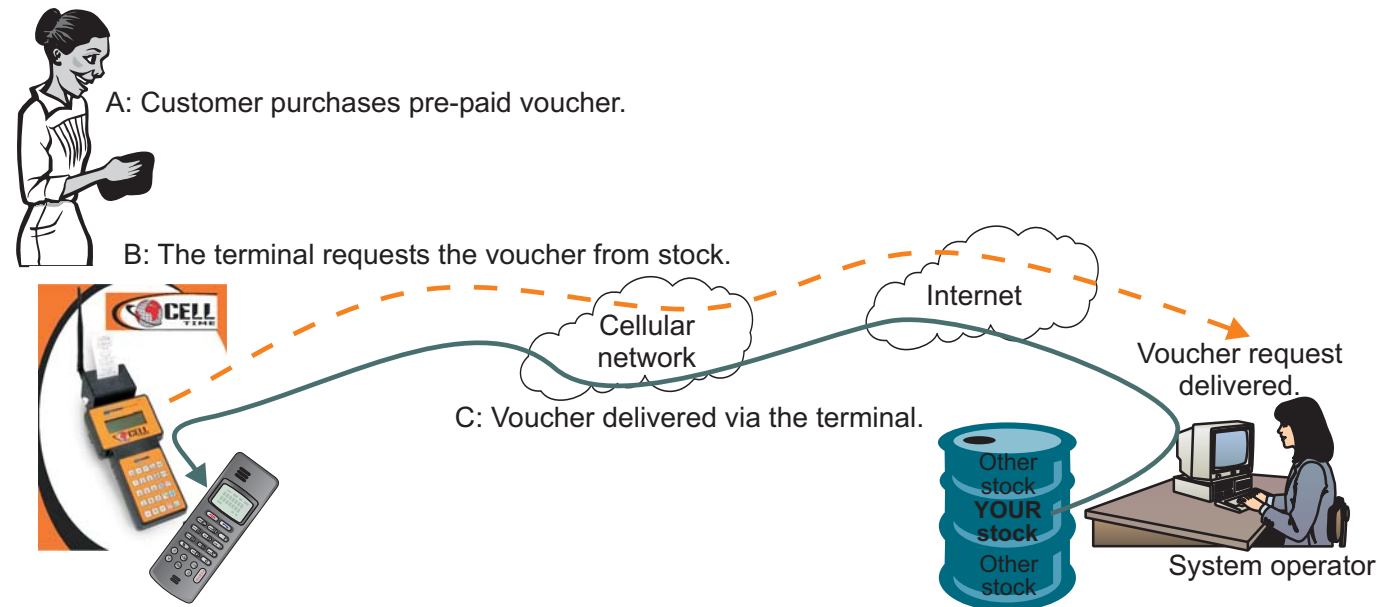
- A charger
- Pay-As-You-Go SIM with 3 months GPRS
- 3 rolls of paper
- One set of advertising stickers
- A set of manuals

Each terminal has a unique number, so you need to make sure you know what your unique number is.

The Celltime Terminal has the following features:

- Touch plastic case
- Operates all day on one full charge
- Connection for handset to make voice calls
- Durable keypad
- Rechargeable batteries, battery charger and power supply included
- Inbuilt receipt printer, receipt ribbon and paper included.
- Hi-bright LCD display; easy to read, even in direct sunlight.

The diagram below shows you how the money and the airtime travels through the system.

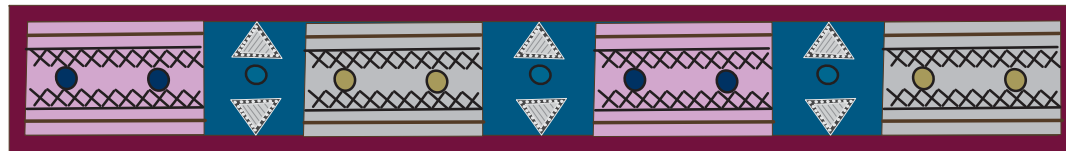


At the end of each day, you can print out a report of how many sales and profit you have made and how much money is left in the terminal. With a daily print out, a full control of your business is possible.

To use your Celltime Terminal, you need to make sure that there is sufficient money in your float to make the required sale. Simply deposit a minimum of R500.00 and within a few minutes (Monday to Saturday hours), your **terminal** is updated and ready to sell pre-paid services.

What makes this opportunity different from any other opportunity?

| Simple... | Which means... |
|--|---|
| <ul style="list-style-type: none">• No physical stock collection necessary.• No stock transportation costs and risks.• No bulk buying which requires a lot of cash.• No headaches to select the right stock mix.• No danger of stolen or lost vouchers.• No loss of business control. | <ul style="list-style-type: none">• You can purchase stock daily reducing your risk.• Sell whatever your customer wants, whenever it's required.• You provide a better service.• You increase your turnover up to 40% compared to other systems.• The only system that provides essential business information. |



What discount do you get?

Here is a list of all the discounts you will receive for all the cellphone networks:

(Please note that these discounts are as at date of publishing and could change without prior notice).

| | | |
|---------|----------------------------------|--|
| Cell C | All Vouchers | 9% |
| MTN | R5 | 5% |
| MTN | R10, R15, R30, R60, R180 | 6% |
| Telkom | R40, R50, R100, R200 | 10% (This is for home pre-paid phones) |
| Telkom | World Call | 8% |
| Virgin | R35, R50, R80 | 5% |
| Vodacom | R5 | 6% |
| Vodacom | R12, R29, R55, R110, R275, R1000 | 9,5% |
| Vodacom | R49 – SMS package | 9% (There is no airtime in this voucher) |

If you would like to take up this business opportunity, contact Microsolve:

Tel: 011 493 5110

Fax:011-493-5114

Email: microsolve@icon.co.za

Notes
